



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

September 23, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **CITY OF PASADENA PUBLIC HEALTH DEPARTMENT – A
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION AND
CARE SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of the City of Pasadena Public Health Department (PPHD or Agency), which included a sample of transactions from March 2011 through June 2012. The County Department of Public Health (DPH) Division HIV and STD Programs (DHSP) contracts with PPHD, a governmental organization, to provide HIV/AIDS outpatient medical, mental health psychiatry, HIV testing and counseling, oral health care, and case management services.

The purpose of our review was to determine whether PPHD provided services to eligible clients, and spent DHSP Program funds in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contracts and applicable guidelines.

DHSP paid the Agency approximately \$1.7 million from March 2011 through June 2012 for one cost-reimbursement contract and one fee-for-service contract. PPHD provides services in the Fifth Supervisorial District.

Results of Review

PPHD provided services to individuals that met DHSP eligibility requirements, and maintained the required personnel records. The Agency also recorded and deposited DHSP payments timely and maintained adequate controls over their cash. However,

PPHD did not develop a Cost Allocation Plan that details the methodology used to allocate shared expenditures as required, and we identified \$43,602 in questioned costs. Specifically, PPHD:

- Allocated \$33,433 for shared rental space, structural maintenance, consultant, and utility costs based on budgeted not actual Full Time Equivalent (FTE) information.

PPHD's attached response indicates that they will repay DHSP \$19,728. PPHD provided documentation to explain their allocation rates. However, PPHD did not provide documentation such as payroll registers and financial records to support their actual FTE.

- Did not provide vendor invoices and cancelled checks to support \$7,056 in computer service expenditures and billed \$265 for laboratory services provided to insured clients.

PPHD's attached response indicates that they will repay DHSP \$7,321, and will conduct an internal audit to ensure program expenditures are properly documented.

- Did not appropriately allocate \$1,752 in payroll costs.

PPHD's attached response indicates that they will repay DHSP \$1,752.

- Billed \$786 in expenditures on their February 2012 Costs Reports that were not supported by the Agency's financial records.

PPHD's attached response indicates that they will repay DHSP \$786.

- Billed \$310 in indirect costs without the Federal Negotiated Indirect Cost Rate Agreement or Auditor Certified Indirect Cost Rate as required by their County contracts.

PPHD's attached response indicates that they will repay DHSP \$310.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with PPHD and DHSP. In the Agency's attached response, PPHD agreed to repay DPH \$29,897. However, the Agency does not agree that the remaining \$13,705 in questioned costs was incorrectly allocated. DHSP agrees with our findings, and will work with PPHD to resolve the questioned costs. The exhibits in PPHD's response were omitted from this report due to the confidentiality nature of the information.

We thank PPHD management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Eric Walsh, M.D., Director, Pasadena Public Health Department
Public Information Office
Audit Committee

**CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS PREVENTION AND CARE SERVICES
MARCH 2011 TO JUNE 2012**

ELIGIBILITY

Objective

Determine whether the City of Pasadena Public Health Department (PPHD or Agency) provided services to clients who met the Department of Public Health Division of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether PPHD provided the services billed to DHSP and collected fees from eligible clients in accordance with their County contracts.

Verification

We reviewed the case files for 15 (3%) of the 479 clients who received services during our review period for documentation of their eligibility for DHSP services. In addition, we verified whether the Agency collected fees from clients in accordance with the Agency's approved client fee schedule.

Results

PPHD had documentation to support the eligibility of all 15 clients reviewed. In addition, PPHD collected fees from clients in accordance with the Agency's client fee schedule.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether PPHD recorded revenue in the Agency's financial records properly, deposited cash receipts into the Agency's bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed Agency personnel, and reviewed the Agency's financial records and June 2012 bank reconciliations for two bank accounts.

Results

PPHD recorded revenue properly, deposited cash receipts timely, and Agency management reviewed and approved bank reconciliations.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether PPHD prepared its Cost Allocation Plan (Plan) in compliance with their County contracts, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed PPHD's Plan and a sample of shared costs the Agency incurred from March 2011 to June 2012.

Results

PPHD's Plan did not describe the methodology used to allocate shared expenditures as required by Paragraph 11.B.(3) of the Additional Provisions of their County contracts, resulting in \$33,433 in unsupported allocations. Specifically, PPHD allocated shared rental space, structural maintenance, consultant, and utility costs based on budgeted Full Time Equivalents (FTE) instead of actual FTEs to allocate shared costs to all benefited programs.

Recommendations

City of Pasadena Public Health Department management:

- 1. Repay Division of HIV and STD Programs \$33,433 or provide documentation to support allocation basis used to allocate shared costs.**
- 2. Develop a written Cost Allocation Plan in accordance with the County contract.**
- 3. Ensure expenditures are appropriately allocated based on equitable basis and actual data.**

EXPENDITURES**Objective**

Determine whether expenditures charged to the DHSP Programs were allowable under their County contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed financial records to support 20 non-payroll expenditures, totaling \$83,898, that the Agency charged to the DHSP Programs from March 2011 to June 2012.

Results

PPHD billed \$7,631 in questioned costs to the DHSP Programs. Specifically, PPHD:

- Did not provide documentation to support that \$45,267 for laboratory and ancillary services were related to the DHSP Programs. Subsequent to our review, PPHD provided additional documentation to support \$45,002 in questioned costs. The remaining questioned costs of \$265 (\$45,267 - \$45,002) for laboratory services provided to insured clients were unallowable for Ryan White funds.
- Did not provide cancelled checks and vendor invoices to support \$7,056 in computer service costs.
- Billed the DHSP Program \$310 in indirect costs without the Federal Negotiated Indirect Cost Rate Agreement (NICRA) or Auditor Certified Indirect Cost Rate package as required by their County contracts.

Recommendations

City of Pasadena Public Health Department management:

4. **Repay \$7,631 or provide additional documentation such as client testing logs, cancel checks, and Federal Negotiated Indirect Cost Rate Agreement or Auditor Certified Indirect Cost Rate package to support that expenditures were actual and related to the Division of HIV and STD Programs.**
5. **Maintain documentation to support all program expenditures.**
6. **Ensure that only program related costs are charged to the Division of HIV and STD Programs.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether PPHD's fixed assets and equipment purchased with DHSP funds were used for the appropriate Programs and were safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets inventory listing. We performed a physical inventory and reviewed the usage of equipment that was purchased with DHSP funds.

Results

PPHD used the equipment purchased with the DHSP funds for the Program, and the assets were safeguarded.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether PPHD charged payroll costs to DHSP appropriately, and maintained personnel files as required.

Verification

We compared the payroll costs for six employees, totaling \$44,317 for June 2012, to the Agency's payroll records and timecards. We also reviewed the personnel files.

Results

PPHD maintained personnel files as required by their County contracts. However, PPHD did not appropriately allocate \$1,752 in retroactive pay.

Recommendation

City of Pasadena Public Health Department management:

Refer to Recommendation 3

- 7. Repay Division of HIV and STD Programs \$1,752, or reallocate payroll costs based on an appropriate allocation rate.**

COST REPORTS**Objective**

Determine whether PPHD's Cost Reports reconciled to their accounting records.

Verification

We compared the Agency's Cost Reports submitted to DHSP for the period ended February 2012 to their financial records.

Results

PPHD's Cost Reports did not reconcile to their financial records. Specifically, the Agency's financial records did not support \$786 in expenditures that were included in their Cost Reports.

In addition, the Agency had one past due Cost Report for a contract that ended in December 2012 and was eight months behind in submitting their monthly invoices. According to the County contract, the Agency is required to submit their Cost Report and monthly invoices within 30 calendar days after the end of the reporting month and contract period.

Recommendations

City of Pasadena Public Health Department management:

- 8. Repay Division of HIV and STD Programs \$786.**
- 9. Ensure Cost Reports reconcile to their financial records.**
- 10. Ensure monthly invoices and cost reports are submitted to Division of HIV and STD Programs within 30 calendar days after the end of the reporting month and contract period.**



PASADENA PUBLIC HEALTH DEPARTMENT
COMMUNITY HEALTH & PREVENTION SERVICES

July 25, 2013

Wendy L. Watanabe
Auditor-Controller
County of Los Angeles Department of Auditor-Controller
500 W. Temple Street, Room 525
Los Angeles, CA 90012

Dear Mrs. Watanabe,

**RE: Plan of Corrective Action (POCA) for City of Pasadena- Department of Public Health
HIV/AIDS Preventive Care and Care Services Provider Fiscal Year 2011-2012**

Enclosed please find the Plan of Corrective Action (POCA) for the City of Pasadena Public Health Department HIV/AIDS Preventive Care and Care Services Provider in response to the fiscal review conducted in February 2013.

If you have questions, please contact Gary Iem giem@cityofpasadena.net or at (626) 744-6117.

Sincerely,

Angelica Palmeros, MSW
Unit Manager

Enclosures



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

ELIGIBILITY

Objective

Determine whether the City of Pasadena Public Health Department (PPHD) provided services to client who met the Departments of Public health's (DPH) Office of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether PPHD collected fees from eligible clients in accordance with their County contracts.

Verification

We reviewed the case files for fifteen 15 (3%) of the 479 clients who received services during our review period for documentation of their eligibility for DHSP services.

Results

PPHD maintained adequate documentation to support the fifteen (15) clients' eligibility for DHSP services and collected fees from clients in accordance with the Agency's clients fee schedule.

Recommendation

1. None

CASH/REVENUE

Objective

Determine whether the City of Pasadena Public Health Department (PPHD) recorded revenue in the Agency's bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed Agency personnel, and reviewed the Agency's financial records and June 2012 bank reconciliation for two bank accounts.



**CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012**

Results

PPHD recorded revenue properly, deposited cash receipts timely, and reviewed and approved bank reconciliations.

Recommendation

1. **None**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's City of Pasadena Public Health Department (PPHD) prepared its Cost Allocation Plan (Plan) in compliance with County contracts, and used the Plan to allocate shared costs appropriately.

Verification

We interviewed PPHDs Plan and a sample of shared costs the Agency incurred from June 2011 to June 2012.

Results

PPHD's Plan did not describe the methodology used to allocate shared expenditures as required by Paragraph 11.B.(3) of the Additional Provisions of the County contract, resulting in \$33,433 in unsupported allocations. Specifically, PPHD allocated shared rental space, structural maintenance, consultant and utility costs based on budgeted full time equivalents (FTE) instead of actual FTEs and did not use equitable basis to allocate shared costs to all benefited programs.

Recommendation

PPHD management:



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

1. Repay DHSP \$33,433 or provide documentation to support allocation basis used to allocate shared costs.
2. Develop a written Cost Allocation Plan in accordance with the County contract.
3. Ensure expenditures are appropriately allocated based on equitable basis and actual data.

POCA Response

PPHD partially does not agree with this finding. PPHD re-evaluated the actual data for FY 2011-2012 and determined that shared costs allocated based on actual data exceeded the amount that was based on budgeted data. There are 3 exhibits used for the rebuttal. The first document is a trial balance (TB) for FY 2012 which is Exhibit A.2. This captures all the costs for payroll and all internal service charges for the Health Department. The second document prepared is the personnel expenses broken down by all programs which is Exhibit A.1. The second document shows the actual expenses worked for the entire fiscal year. Instead of using budgeted figures to determine the allocation of all the internal service charges, PPHD will use actual figures to determine the allocation and it will show that the actual figures are much higher than the allocation under the budgeted method. Please see below for the list of disputed costs that computes to the \$33,433 in questioned:

- a. \$7,024 – Structure Maintenance (allocation rate was based on budget full-time equivalent not actual)

The \$7,024 pertains to schedule 84 which is Medical Outpatient which ties to 563259. On Exhibit A.1, you will see that under 563259, 4.03% of all personnel related expenses came from the Medical Outpatient program (Schedule 84 or 563259). When you look at Exhibit A.2, the annual cost amount for structural maintenance is \$182,247. If we used the actual percentage methodology of 4.03%, you will discover that the Medical Outpatient program should assume \$7,345 which exceeds the budgeted percentage methodology.

- b. \$6,212 – Lease Payment (allocation rate was based on budget full-time equivalent not actual)

The \$6,212 pertains to schedule 84 which is Medical Outpatient which ties to 563259. On the Exhibit A.1, you will see that under 563259, 4.03% of all personnel related expenses came from the Medical Outpatient program (Schedule 84 or 563259). When you look at Exhibit A.2, the annual cost amount for lease payment is \$197,474. If we used the actual percentage methodology of 4.03%, you will discover that the Medical Outpatient program should assume \$7,958 which exceeds the budgeted percentage methodology.



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

- c. \$17,840 Brenda Ingram – Worked on both H209212-78 (Outpatient Medical) and H209212-83 (Psychiatric). Documents to support the 43.42% billed to Psychiatric were not provided.

PPHD concurs with this finding.

- d. \$130 – Dolt Telephone (allocation rate was based on budget Full time equivalent not actual)

The \$130 pertains to schedule 86 which is Medical Case Management which ties to 563264. On Exhibit A.1, you will see that under 563259, 1.01% of all personnel related expenses came from the Medical Case Management program (Schedule 86 or 563264). When you look at Exhibit A.2, the annual cost amount for DoIT Telephone is \$100,060. If we used the actual percentage methodology of 1.01%, you will discover that the Medical Case Management program should assume \$1,011 which exceeds the budgeted percentage methodology.

- e. \$54 – Mail Basic Service (allocation rate was based on budget Full time equivalent not actual)

PPHD have decided to pass on investigating this item due to its immateriality.

- f. \$339 – Xerox – other contract service (allocation rate was based on budget Full time equivalent not actual)

The annual cost for the Xerox copier is \$5,201.25 (refer to Exhibit A.3). The people who had access to this Xerox copier are noted through a blue highlight in the Exhibit A.1. The \$339 in question pertains to Schedule 87 which is the MAI grant which is noted through org # 563258. Based on the allocation method, Schedule 87 (MAI) should assume 13.58% of the annual cost for Xerox. \$5,201.25 multiplied by 13.58% equates to \$706.57 which exceeds the \$339 in questioned. Please pass on further investigation.

- g. \$1,834 - Structure Maintenance (allocation rate was based on budget Full time equivalent not actual)

PPHD concurs with this finding.

In total, PPHD agrees to pay \$19,728 for some of the costs that were questioned. In the future, PPHD will ensure that all costs are based on actual figures and not budgeted figures.



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

EXPENDITURES

Objective

Determine whether Program-related expenditures were allowable under the County Contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records to support 20 non-payroll expenditures, totaling \$7,366, that the Agency charged to the DHSP Programs from June 2011 to June 2012.

Results

PPHD billed \$7,631 in questioned costs to the DHSP Programs. Specifically, PPHD:

- Did not provide document to support that \$45,267 for laboratory and ancillary services were related to the DHSP Programs. Subsequent to our review, PPHD provided additional documents to support \$45,002 in questioned costs. The remaining questioned costs of \$265 (\$45,267 - \$45,002) for laboratory services provided to insured DHSP clients were unallowable for Ryan White funds are to be used as payor of last resort. PPHD has agreed to pay \$265 for unallowable lab expenditures.
- Did not provide cancel checks and vendor invoices to support \$7,056 in computer service costs.
- Billed DHSP Program \$310 in indirect costs without the Federal Negotiated Indirect Cost Rate Agreement (NICRA) or Auditor Certified Indirect Cost Rate package as required by the County contract.

Recommendations

PPHD Management:

4. Repay \$7,631 or provide additional documentation such as client testing logs, cancel checks, and NICRA or Auditor Certified Indirect Cost Rate package to support that expenditures were actual and related to the DHSP Programs.



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

5. Maintain documentation to support all program expenditures.
6. Ensure that only program related costs are charged to the DHSP programs.

POCA Response

The Agency agrees to pay DHSP the amount of \$310 for indirect cost without the Federal Negotiated Indirect Cost Rate Agreement (NICRA) and \$7,056 for computer service cost and the \$265 for the unallowable expenditures for lab.

PPHD will conduct an internal audit of all non-payroll items prior to unrestricted budget modifications due for review and approval by DHSP, to ensure that accrued expenses and/or charges will meet the approved budget. PPHD will request guidance from DHSP as to specific billing, and which documentation will support program expenditures.

Prior to billing items that exceed approved budget, agency will hold until DHSP approved budget modification. For charges that are considered prior contract term, will not be billed and will be absorbed by the agency, and/or will be submitted for approval during year-end cost report to ensure accuracy. Finance records will be kept up-to-date with all approved DHSP budget modifications.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the City of Pasadena Public Health Department (PPHD) fixed assets and equipment purchased made with DHSP funds are used for the appropriate Programs and safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and inventory listing. We also performed an inventory and reviewed the usage of equipment that was purchased with DHSP funds.



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

PPHD used the equipment purchased with the DHSP funds for the program, and the asset was safeguarded.

Recommendation

3. None

PAYROLL AND PERSONNEL

Objective

Determine whether the City of Pasadena Public Health Department (PPHD) charged payroll costs to the DHSP Program appropriately. In addition, determine whether the agency's maintained personnel files as required.

Verification

We compared the payroll cost for six employees totaling \$44,317 for June 2013, to the Agency's payroll records and timecards. We also reviewed the personnel files.

Results

PPHD maintained personnel files as required by the County contracts. However, PPHD did not allocate \$1,752 in retroactive pay based on the employee's time records.

Recommendation

PPHD management:

Refer to Recommendation 3

7. Repay DHSP \$1,752, or reallocate payroll costs based on employee's time record.

POCA Response

The Agency agrees with finding and will pay DHSP the amount of \$1,752. PPHD will ensure that allocation of employee's payroll are appropriately recorded, and/or reallocated within 3-months of findings to guarantee appropriate maintenance of records.



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

COST REPORTS

Objective

Determine whether the PPHD's Cost Reports reconciled to their financial records.

Verification

We compared the Agency's Cost Reports submitted to DHSP for the period ended February 2012 to their financial records.

Results

PPHD's Cost Reports did not reconcile to their financial records. Specifically, the Agency's financial records did not support \$786 in expenditures that were included in their Cost Reports.

In addition, the Agency had one past due Cost Report for contract that ended in December 2012 and was eight months behind in submitting their monthly invoices. According to the County contract, the Agency is required to submit their cost report and monthly invoices within thirty (30) calendar days after the end of the reporting month and contract period.

Recommendation

PPHD management:

8. Repay DHSP \$786.
9. Ensure Cost Reports reconcile to the Agency's Program financial records.
10. Ensure monthly invoices and cost reports are submitted to DHSP within 30 calendar days after the end of the reporting month and contract period.

POCA Response



CITY OF PASADENA PUBLIC HEALTH DEPARTMENT
HIV/STD PROGRAMS & SERVICES
FISCAL YEAR REVIEW 2011-2012

The Agency agrees with finding and will pay DHSP the amount of \$786. PPHD consolidated finance related services to ensure accurate and timely review of finance matters; therefore invoices and cost reports are expected to be submitted within a 30-45 day period.